NATURE OF ACTION

1. From 2004 until 2007, Lehman Brothers Bank, FSB ("LBB," and collectively with LBHI, "Lehman") purchased mortgage loans from Security pursuant to a series of written contracts. LBB subsequently assigned its rights under those contracts to LBHI. With respect to certain of these mortgage loans, Security breached representations, warranties and covenants as well as other provisions of the contracts that required it to repurchase from Lehman mortgage loans for which the borrower failed to make payments on the mortgage. By this action, LBHI seeks to: (a) compel Security, pursuant to the terms of the contracts, to repurchase mortgage loans that Lehman

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of the parties with respect to the purchase and sale of mortgage loans, including but not

limited to purchase price, delivery and conveyance of the mortgage loans and mortgage

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loans.

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Seller's Guide.

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15. With respect to certain mortgage loans that LBB purchased from Security, Lehman discovered material problems including that Security had breached various representations, warranties and/or covenants under the Agreement and Seller's Guide, including but not limited to those set forth in paragraphs 12 and 13 above.

ability to perform its obligations under and satisfy all requirements of, the Agreement and

With respect to itself, Security represented and/or warranted that it had the

- 16. More specifically, with respect to loan number 4 on **Exhibit A**, Security breached one or more of the representations, warranties and/or covenants under the Agreement and Seller's Guide.
- LBHI, through its agent, provided Security with written notice concerning 17. Security's various breaches of the representations and warranties with respect to the loan referenced in paragraph 16 above.
- 18. The Agreement and Seller's Guide provided that in the event of a breach of the representations, warranties, and/or covenants, LBHI or its agent may demand that Security repurchase the loan and/or indemnify Lehman, and Security shall repurchase the loan at a certain repurchase price and/or indemnify Lehman. LBHI, through its agent, has demanded that Security repurchase the mortgage loan referenced in paragraph 16 above at the specified repurchase price.
- 19. Security has refused, and continues to refuse, to repurchase the mortgage loan, to indemnify Lehman, or otherwise comply with its obligations under the Agreement and Seller's Guide with respect to the loan referenced in paragraph 16 above.

Early Payment Defaults

- 20. The Agreement and Seller's Guide further specified that LBHI or its agent may demand that Security repurchase and that Security shall repurchase, mortgage loans that become "Early Payment Defaults."
- 21. A loan becomes an Early Payment Default under the Agreement and Seller's Guide in one of two ways. First, for loans prior-approved by the purchaser, the

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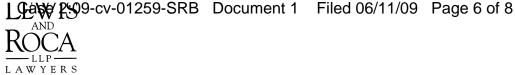
loan becomes an Early Payment Default if the borrower fails to make the first monthly payment due within 30 days of the payment's due date. Second, for loans purchased pursuant to the seller's delegated underwriting authority, eligible for delegated underwriting, or purchased in bulk transactions, the loan becomes an Early Payment Default if the borrower fails to make the first or second monthly payment due within 30 days of each such monthly payment's respective due date. Security received delegated underwriting authority before it sold the loans in question.

- 22. Certain loans that Lehman purchased from Security became Early Payment Defaults. More specifically, with respect to the loans numbered 1 through 3 on **Exhibit**A, the borrower failed to make the first and/or second payment within 30 days of the due dates for those payments.
- 23. LBHI, through its agent, provided Security with written notice concerning the fact that the loans referenced in paragraph 22 above became Early Payment Defaults and demanded that Security repurchase those mortgage loans.
- 24. Security has refused, and continues to refuse, to repurchase the mortgage loans, to indemnify Lehman, or otherwise comply with its obligations under the Agreement and Seller's Guide with respect to the loans referenced in paragraph 22 above.

FIRST CLAIM FOR RELIEF

 $(Breach\ of\ Contract-Damages)$

- 25. LHBI hereby repeats and realleges the above allegations of this Complaint as if fully set forth herein.
- 26. The Agreement and incorporated Seller's Guide is a valid and enforceable contract that is binding upon Security.
- 27. LBB, LBHI, Lehman's agents, and any and all assignees of Lehman's rights have substantially performed all of their obligations under the Agreement and Seller's Guide.
- 28. As set forth herein, Security has breached the Agreement and Seller's Guide by (a) breaching the representations, warranties and/or covenants, (b) refusing or



otherwise failing to repurchase the mortgage loans affected by the breached representations, warranties, and/or covenants, and/or refusing to indemnify Lehman, and (c) refusing or otherwise failing to repurchase the mortgage loans that have become Early Payment Defaults, and/or refusing to indemnify Lehman.

29. With regard to the mortgage loans that Security has failed to repurchase and/or indemnify, Security's breaches of the Agreement and Seller's Guide resulted in actual and consequential damages in an amount to be proven at trial.

SECOND CLAIM FOR RELIEF

(Breach of Contract – Specific Performance)

- 30. LHBI hereby repeats and realleges the above allegations of this Complaint as if fully set forth herein.
 - 31. In the alternative to damages, LBHI seeks specific performance.
- 32. The Agreement and incorporated Seller's Guide constitute a valid and enforceable contract that is binding upon Security.
 - 33. The contractual repurchase provisions are definite.
 - 34. The Agreement and Seller's Guide are just and reasonable.
- 35. LBB, LBHI, Lehman's agents, and any and all assignees of Lehman's rights have substantially performed all of their obligations under the Agreement and Seller's Guide.
- 36. As set forth herein, Security has breached the Agreement and Seller's Guide by (a) breaching the representations, warranties, and/or covenants, (b) refusing or otherwise failing to repurchase the mortgage loans affected by the breached representations, warranties and/or covenants, and/or refusing to indemnify Lehman, and (c) refusing or otherwise failing to repurchase the mortgage loans that have become Early Payment Defaults, and/or refusing to indemnify Lehman.
- 37. Due to the unique and specific nature of mortgage loans intended for securitization and the real property securing the mortgage loans, LBHI has no adequate

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For all damages arising from or relating to Security's breaches of contract

and express warranty, in an amount to be proved at trial;

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